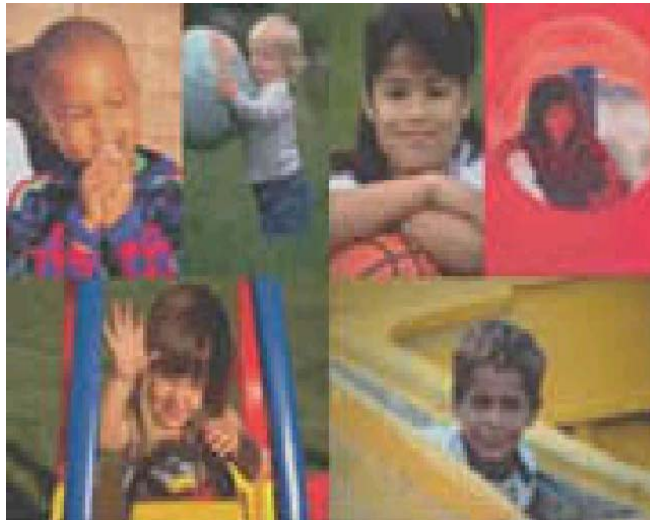


Nebraska Health and Human Services Child Care Market Rate Survey 2005 Final Report



May 26, 2005

This report was prepared by:

Child Care Administration:

Betty Medinger, Administrator for Child Care, Community Service Block Grant, and
Nebraska Homeless Assistance Program
Department of Services
Office of Economic and Family Support

Survey Oversight:

Sandra Scott, Program Specialist for Child Care
Department of Services
Office of Economic and Family Support

Collection of Survey Data and Written Analysis:

Seth Hyberger M.C.R.P., Staff Assistant I
Department of Services
Office of Economic and Family Support

Sample Design, Selection, and Statistical Analysis:

Lynn Stone, Research Supervisor
Department of Finance and Support
Office of Financial Services

Establishment of Child Care Market Rate Survey

By Nebraska State Statute, every two years the Department of Health and Human Services is charged with conducting a child care market rate survey and setting rates for Family Child Care Homes I and II and Child Care Centers. For July 2005, the rate shall be established between the 60th - 75th percentile. The adjusted rates shall not be less than the 60th percentile and will not exceed the 75th percentile of the current market rate survey except that (1) nationally accredited child care providers may be reimbursed at higher rates. The Department has chosen to establish rates by type of child care provider, geographic area, age group of the child (infant, toddler, preschool, and school-age), and quality when indicated through an approved accrediting body.

Child Care Market Rate Survey Demographics and Sample Information

Three types of providers were included in the survey: Family Child Care Home I, Family Child Care Home II, and Child Care Centers. These provider types were also broken out geographically by urban¹, trade center², and rural³ counties:

Counties included in the urban geographic group were Douglas, Sarpy, Lancaster, and Dakota. Counties in the trade center group were Adams, Buffalo, Dodge, Hall, Lincoln, Madison, Platte, and Scotts Bluff. All remaining counties were included in the rural geographic group.

By type of child care provider and geography, the total sample pool was as follows:

	Family Child Care Home I	Family Child Care Home II	Child Care Center	Total
Rural	816	231	189	1,236
Trade Center	457	97	159	713
Urban	1,198	259	504	1,961
Total	2,471	587	852	3,910

The 2005 Child Care Market Rate Survey was conducted between January 8th – February 10th. For the sample, 1,245 licensed providers or 32% of the sample pool were contacted by phone to be participants in the Survey. Exactly, 896 of those child care providers (or 22.9% of the total licensed providers) gave responses that could be used in the Survey results.

¹ Urban counties have a population greater than 100,000.

² Trade centers are counties with a population between 25,001 and 100,000.

³ Rural counties have a population of less than 25,000.

For each combination of geographic area and provider type, a random sample was chosen. The sample sizes giving responses for each of the provider types and geographic areas were as follows:

Sample Size Providing Responses

	Family Child Care Home I	Family Child Care Home II	Child Care Center	Total	Percent
Rural	100	88	74	262	29.3%
Trade Center	105	70	103	278	31%
Urban	145	103	108	356	39.7%
Total	350	261	285	896	100%
Percent	39%	29.2%	31.8%	100%	

The overall response rate for the sample was 71.9%. Response rates by provider type ranged from 64.3% to 78.6%.

Response Rates by Provider Type

(Yes = Valid response)	No	Yes	Total	Response Rate
Family Child Care Home I	95	350	445	78.6%
Family Child Care Home II	96	261	357	73.1%
Child Care Center ⁴	158	285	443	64.3%
Total	349	896	1,245	71.9%

Response rates by geographic area ranged from 67.7% to 75.5%.

Response Rates by Geographic Area

(Yes = Valid response)	No	Yes	Total	Response Rate
Rural	125	262	387	67.7%
Trade Center	90	278	368	75.5%
Urban	134	356	490	72.6%
Total	349	896	1,245	71.9%

⁴ Head Start Programs are licensed as Child Care Centers; however, many provide only the Head Start Program and not child care. Head Start Programs drawn in the random sample were called, and many could not provide any valid data. Thus, a more accurate and positive response rate for Child Care Centers could be determined if Head Start Centers who do not provide child care were excluded from the sample to begin with. A second random draw of additional Child Care Center providers were called to make up for the large number of Head Start Centers not providing child care and these numbers are reflected in the response rates by provider type for Child Care Centers.

The complete breakdown of response rates, including provider type and geographic area was:

Response Rates by Provider Type and Geographic Area

(Y = Valid Response)	No	Yes	Total	Response Rate
Family Child Care Home I				
Rural	25	100	125	80%
Trade Center	15	105	120	87.5%
Urban	55	145	200	72.5%
Family Child Care Home II				
Rural	22	88	110	80%
Trade Center	27	70	97	72.1%
Urban	47	103	150	68.6%
Child Care Center				
Rural	78	74	152	48.6%
Trade Centers	48	103	151	68.2%
Urban	32	108	140	77.1%
Total	349	896	1,245	71.9%

Each provider called was asked to supply information for the rates charged to private pay clients for infants, toddlers, preschoolers, and school-aged children. Data was requested on the charge by the hour, day, week, and month.

Even though between 70 and 145 providers were sampled for each provider type/geographic area combination, response rates ranged from 48.6%⁵ to 87.5%. This however, does not mean that all participating providers were able to give data for each combination of age group (infant/toddler/preschool/school-age) and rate frequency (hour/day/week/month).

There were some providers that only offered weekly rates. These rates were divided by five days a week to compute a daily rate. The weekly data was later combined with the daily data and used to determine the percentiles for daily rates. The percent of providers (across age groups) that offer hourly and daily child care rates are shown in the following tables.

⁵ The low response rate for Rural Child Care Centers (48.6 percent) is primarily due to the fact that 49 Head Start programs included in the sample were not child care providers and therefore could not participate in the survey. In Nebraska, Head Start Programs are licensed as Child Care Centers.

Percentage of Providers Offering an Hourly Child Care Rate

	Child Care Rate Frequency – Hourly			
	Infant	Toddler	Preschool	School-age
Rural – Family Child Care Home I	76%	76%	76%	79%
Rural – Family Child Care Home II	76%	76%	76%	76%
Rural – Child Care Center	51%	58%	60%	76%
Trade Center – Family Child Care Home I	58%	59%	60%	64%
Trade Center – Family Child Care Home II	51%	54%	54%	57%
Trade Center – Child Care Center	39%	44%	55%	66%
Urban – Family Child Care Home I	14%	14%	15%	27%
Urban – Family Child Care Home II	36%	36%	37%	37%
Urban – Child Care Center	19%	21%	27%	46%

Percentage of Providers Offering a Daily Child Care Rate

	Child Care Rate Frequency – Daily			
	Infant	Toddler	Preschool	School-age
Rural – Family Child Care Home I	42%	42%	42%	41%
Rural – Family Child Care Home II	36%	36%	36%	38%
Rural – Child Care Center	54%	57%	57%	59%
Trade Center – Family Child Care Home I	57%	58%	58%	50%
Trade Center – Family Child Care Home II	74%	76%	76%	70%
Trade Center – Child Care Center	53%	60%	62%	69%
Urban – Family Child Care Home I	94%	94%	94%	88%
Urban – Family Child Care Home II	97%	98%	96%	89%
Urban – Child Care Center	54%	58%	62%	87%

Survey Findings – Rates

On the following pages are tables presenting the survey rate results. In these tables, the notations P50, P55, P60, P65, and P75 refer to the 50th, 55th, 60th, 65th, and 75th percentiles of the current market rate, respectively.

The following three tables, *Child Care Market Rate Survey – Rate Differences in Dollars*, display the current subsidy rates and the rate the State would have to pay in order to match the private-pay going rate for a given percentile of child care providers. For example (Family Child Care Home I – Rural - Infant), at the 60th percentile (\$18.00 – daily rate), 40 percent of licensed child care providers would be charging more (than \$18.00 – daily) and 60 percent would be at or charging less

Rural Home I: Current Rates Paid vs. % Providers Offering Rates

	Infants	Toddlers	Preschool	School-Age
Hourly				
Current Rate Percentile	75 th	75 th	75 th	75 th
% Providers Offering Hourly Rate	76%	76%	76%	79%
Daily				
Current Rate Percentile	P < 50 th *	P < 50 th	P < 50 th	P < 50 th
% Providers Offering Daily Rate	42%	42%	42%	41%

The State is currently paying at the 75th percentile for all Rural Home I hourly rates, and most Rural Home I providers offer an hourly rate. The current daily rate paid is below the 50th percentile for all age groups and over a third of all Rural Home I providers offer a daily rate.

Rural Home II: Current Rates Paid vs. % Providers Offering Rates

	Infants	Toddlers	Preschool	School-Age
Hourly				
Current Rate Percentile	75 th	70 th	70 th	70 th
% Providers Offering Hourly Rate	76%	76%	76%	76%
Daily				
Current Rate Percentile	P < 50 th	P < 50 th	P < 50 th	P < 50 th
% Providers Offering Daily Rate	36%	36%	36%	38%

The State is currently paying at 70th percentile or more for all Rural Home II hourly rates, and most Rural Home II providers offer an hourly rate. The current daily rate paid is below the 50th percentile for all providers, and more than one-third of all Rural Home II providers offer a daily rate.

Rural Centers: Current Rates Paid vs. % Providers Offering Rates

	Infants	Toddlers	Preschool	School-Age
Hourly				
Current Rate Percentile	60 th	55 th	60 th	65 th
% Providers Offering Hourly Rate	51%	58%	60%	76%
Daily				
Current Rate Percentile	P < 50 th	P < 50 th	P < 50 th	P < 50 th
% Providers Offering Daily Rate	54%	57%	57%	59%

The State is currently paying at the 55th percentile or higher for all Rural Child Care Center hourly rates, and most Rural Child Care Centers (between 51 and 76 percent) offer an hourly rate. The current daily rate paid is below the 50th percentile for all age groups. Just over half of all Rural Centers offer a daily rate.

* (P < 50th or The Rate Percentile is less than the 50th Percentile)

Trade Center Home I: Current Rates Paid vs. % Providers Offering Rates

	Infants	Toddlers	Preschool	School-Age
Hourly				
Current Rate Percentile	65 th	60 th	55 th	55 th
% Providers Offering Hourly Rate	58%	59%	60%	64%
Daily				
Current Rate Percentile	P < 50 th	P < 50 th	P < 50 th	P < 50 th
% Providers Offering Daily Rate	57%	58%	58%	50%

The State is currently able to subsidize between the 55th and 65th percentiles for all Trade Center Home I hourly rates, and most Trade Center Home I providers offer an hourly rate. The State is currently paying below the 50th percentile for all daily rates. At least one-half of all Trade Center Home I providers offer a daily rate.

Trade Center Home II: Current Rates Paid vs. % Providers Offering Rates

	Infants	Toddlers	Preschool	School-Age
Hourly				
Current Rate Percentile	70 th	55 th	55 th	55 th
% Providers Offering Hourly Rate	51%	54%	54%	57%
Daily				
Current Rate Percentile	P < 50 th	P < 50 th	P < 50 th	P < 50 th
% Providers Offering Daily Rate	74%	76%	76%	70%

The State is currently paying between the 55th and 70th percentiles for all Trade Center Home II hourly rates, and over half of all Trade Center Home II providers offer hourly rates. The State is currently paying below the 50th percentile for all Trade Center Home II daily rates. At least 70% of all Trade Center Home II providers offer a daily rate.

Trade Center Child Care Centers: Current Rates Paid vs. % Providers Offering Rates

	Infants	Toddlers	Preschool	School-Age
Hourly				
Current Rate Percentile	P < 50 th	P < 50 th	P < 50 th	P < 50 th
% Providers Offering Hourly Rate	39%	44%	55%	66%
Daily				
Current Rate Percentile	P < 50 th	P < 50 th	P < 50 th	60 th
% Providers Offering Daily Rate	53%	60%	62%	69%

The State is currently paying below the 50th percentile for all Trade Center Child Care Center hourly rates, while the percentage of providers offering hourly rates varies from 39-66%. With the exception of School-Age children at the 60th percentile, the State is currently paying below the 50th percentile for all other daily rates. The percentage of providers offering daily rates ranges from 53-69%.

Urban Home I: Current Rates Paid vs. % Providers Offering Rates

	Infants	Toddlers	Preschool	School-Age
Hourly				
Current Rate Percentile	70 th	70 th	60 th	55 th
% Providers Offering Hourly Rate	14%	14%	15%	27%
Daily				
Current Rate Percentile	P < 50 th	P < 50 th	P < 50 th	P < 50 th
% Providers Offering Daily Rate	94%	94%	94%	88%

The State is presently paying at the 70th percentile for hourly rates for Infants in the Urban Home I setting; less than 15 percent of the providers sampled gave an Infant hourly rate. The State is currently paying in between the 55th and the 70th percentiles for hourly rates for all other ages and between 14 and 27 percent of Urban Home I providers (sampled) offer an hourly rate. The State is currently paying below the 50th percentile for all Urban Home I daily rates, and 88 to 94 percent of all Urban Home I providers offer a daily rate.

Urban Home II: Current Rates Paid vs. % Providers Offering Rates

	Infants	Toddlers	Preschool	School-Age
Hourly				
Current Rate Percentile	60 th	P < 50 th	P < 50 th	P < 50 th
% Providers Offering Hourly Rate	36%	36%	37%	37%
Daily				
Current Rate Percentile	P < 50 th	P < 50 th	P < 50 th	P < 50 th
% Providers Offering Daily Rate	97%	98%	96%	89%

The state currently is paying at the 60th percentile for the hourly rate for infants in the Urban Home II setting; the hourly rate paid for all other age groups is below the 50th percentile. The State is currently paying below the 50th percentile for all daily rates in the Urban Home II setting, and over 90 percent of all Urban Home II providers offer daily rates.

Urban Child Care Centers: Current Rates Paid vs. % Providers Offering Rates

	Infants	Toddlers	Preschool	School-Age
Hourly				
Current Rate Percentile	50 th	60 th	55 th	65 th
% Providers Offering Hourly Rate	19%	21%	27%	46%
Daily				
Current Rate Percentile	P < 50 th	P < 50 th	P < 50 th	65 th
% Providers Offering Daily Rate	54%	58%	62%	87%

The State is currently paying at the 50th percentile or above for hourly rates for all age groups at Urban Child Care Centers and 19 to 46 percent of providers reported offering an hourly rate. With the exception of School-Age children at the 65th percentile, the State is currently paying below the 50th for all other daily rates.

Some providers (most often in Urban settings) report only using weekly rates. Such providers contracting with the State must divide the weekly rate to compute and accept the State daily rate offered.

Child Care Market Rate Survey Fee Information

See 392 NAC 4 – 003.03 through 4 – 003.08C for detailed information on Department policy related to specific fees, exceptions, etc. This report will not summarize all the variables related to these areas, but generalizes the policy.

In addition to the rate information requested, some additional information was collected concerning the use of fees. These included enrollment fees, activity fees, transportation fees, and “other” fees.

Providers who charge enrollment fees reported charging them either once up front, once a year, or once each session (where sessions are fall, spring, and summer). For children on subsidy, the State will pay a one-time enrollment fee of \$25 for Centers and \$15 for Homes I and II.

Providers who charge activity fees reported charging them as needed per activity, once a month, or once a year. For children on subsidy, the State will pay an annual activity fee of no more than \$75 for Centers and \$15 for Homes I and II.

Providers who charge transportation fees reported charging them by the trip, by the day, and by the week. For children on subsidy, the State will pay a maximum of \$0.20 a mile or \$2.50 per one-way trip, for trips to and from home. When the transportation meets certain criteria, to and from school trips may be included in a provider’s maximum rates. (See policy.)

Use of Fees in Rural Child Care Settings

Rural	Home I	Home II	Center	Total	Percent
<u>Enrollment fee?</u>					
No	88	81	41	210	80.2%
Yes	12	7	33	52	19.8%
<u>Activity fee?</u>					
No	98	84	57	239	91.2%
Yes	2	4	17	23	8.8%
<u>Transportation fee?</u>					
No	100	85	61	246	93.9%
Yes	0	3	13	16	6.1%
<u>Other fee(s)?⁶</u>					
No	82	79	67	228	87%
Yes	18	9	7	34	13%
Total	100	88	74	262	100%

The use of child care fees is clearly not a trend in rural settings. However, the most common type of fee reported in rural areas was for enrollment. Nearly, 20 percent of all providers in rural areas charged enrollment fees.

Use of Fees in Trade Center Child Care Settings

Trade Center	Home I	Home II	Center	Total	Percent
<u>Enrollment fee?</u>					
No	97	56	35	188	67.6%
Yes	8	14	68	90	32.4%
<u>Activity fee?</u>					
No	102	65	79	246	88.5%
Yes	3	5	24	32	11.5%
<u>Transportation fee?</u>					
No	99	60	83	242	87%
Yes	6	10	20	36	13%
<u>Other fee(s)?</u>					
No	98	65	90	253	91%
Yes	7	5	13	25	9%
Total	105	70	103	278	100%

The use of fees in trade center areas was similar to what was reported in rural areas. The type of fee most often reported for Trade Center providers was once again for enrollment purposes (32.4%). Approximately, 66 percent of Trade Center's Child Care Centers charge enrollment fees.

⁶ For this Survey, other fees did not include delayed payment fees, late-pickup fees, and bounced check fees. Current Department policy states the client family is responsible for such fees.

Use of Fees in Urban Child Care Settings

Urban	Home I	Home II	Center	Total	Percent
<u>Enrollment fee?</u>					
No	121	76	20	217	61%
Yes	24	27	88	139	39%
<u>Activity fee?</u>					
No	143	92	87	322	90.4%
Yes	2	11	21	34	9.6%
<u>Transportation fee?</u>					
No	139	85	96	320	89.9%
Yes	6	18	12	36	10.1%
<u>Other fee(s)?</u>					
No	140	93	98	331	93%
Yes	5	10	10	25	7 %
Total	145	103	108	356	100%

The use of fees in urban areas is similar to that in Trade Center areas. The most common type of fee reported was enrollment-fees. One important difference to note in the urban areas is that most centers (81.4%) reported having enrollment fees, while most Family Home I Child Care providers do not (83.4 %).

Use of Fees Across All Geographic Areas of Child Care Settings

Total	Home I	Home II	Center	Total	Percent
<u>Enrollment fee?</u>					
No	306	213	96	615	68.6%
Yes	44	48	189	281	31.4%
<u>Activity fee?</u>					
No	343	241	223	807	90%
Yes	7	20	62	89	10%
<u>Transportation fee?</u>					
No	338	230	240	808	90.1%
Yes	12	31	45	88	9.9%
<u>Other fee(s)?</u>					
No	320	237	255	812	90.6%
Yes	30	24	30	84	9.4%
Total	350	261	285	896	100%

In general, slightly over 31 percent of all child care providers charge an enrollment fee, and roughly a little over 9 percent of all child care providers charge some type of “other” fees. Less than 10 percent charge a transportation fee or activity fees.

Final Analysis and Projected Changes:

Comparisons were made between rates charged by Family Child Care Home I's, Family Child Care Home II's, and Center-based care. Comparisons were made between rates in urban counties (population greater than 100,000), trade center counties (population between 25,001 and 100,000), and rural counties (population less than 25,000). Finally, comparisons were also drawn in establishing Toddler, Preschool, and School-age rates varying among the age groups or combining these data cells and establishing one rate for toddlers and older (18 months+). In determining subsidized rates, the Department must weigh a number of factors: Differences and similarities among rates between the various data elements that were compared, policy implications related to reflecting market rates, reduction of potential improper payments, and ability to administer the subsidy as effectively and efficiently as possible. Such comparison charts are seen in Appendix A. Highlighted rates indicate the rates were the same among the cells in each grouping.

Rates were very similar for Family Child Care Provider I and II's. Rates for infants were higher due to increased care needs and staff/child ratio. Rates for toddlers, preschoolers, and school-age children declined slightly as the child aged. Trade center and rural rates were very similar or exactly the same. In some data cells rural providers showed a slightly higher rate over trade centers and sometimes for the age, provider type, and percentile level, trade center providers showed the slightly higher rate. Urban rates were consistently higher than both rural and trade center.

In establishing the rates, it was determined that Family Home I and II providers would be paid the same rate and this rate was established by combining the raw data gathered from Family Home I and II's across all data cells. On Appendix A, these rates are reflected in cells indicated "FCCI & FCCII".

In establishing the Toddler, Preschool, and School-age rates, data was collapsed from all these data cells in determining one rate. This should better streamline and simplify authorization and billing processes for staff and providers and reduce overall billing error. Additionally, current rates paid for these age groups either show no change or slight variation in these age categories. Rates were selected from cells indicated as "T/P/S" in Appendix A.

In establishing the rural and trade center rates, comparisons were made between the rural rates, trade center rates, and a combined rate for rural and trade centers. Rates were selected by using the highest rate found in any of the data cells of the three categories. For the subsidy program, the Department will continue to pay rural and trade center counties the same rates in the category of "all other counties" giving providers in "all other counties" the benefit of the highest rate arrived at in either method of data analysis.

The percentile rates utilized are those found at the 60th percentile of the 2005 Market Rate Survey. This represents an overall estimated impact of 14% over current expenditures.

Finally, the Department shall adjust the rates paid accredited providers by establishing the rates at the 75th percentile of the current market rate survey using urban provider data cells or the current rate whichever is greater. The accreditation rate is the same for providers anywhere in Nebraska. This represents approximate increases over the current accredited rates of: 4% hourly and 24% daily in FCCHI and FCCHII's, and 25% daily in child care centers. Rates for accredited providers have not been adjusted in recent Market Rate Surveys, thus reducing the incentive for accredited providers to accept children in the Subsidy Program. This adjustment is to re-establish incentive.

The rates established by Health and Human Services for assisting families on the child care subsidy are maximum rates set by using this market rate survey data and are broken down by child's age, provider type, geographic region, and quality level as indicated when the provider is accredited. Rates established with any single provider shall not exceed rates being charged by that provider to private paying families in accordance with Nebraska Statute.

Maximum Rates established will be updated in the 392 NAC – Appendix.